

2007 DRAFTING REQUEST

Assembly Amendment (AA-ASA1-SB40)

Received: **06/26/2007**

Received By: **mshovers**

Wanted: **As time permits**

Identical to LRB:

For: **Legislative Fiscal Bureau 6-3013**

By/Representing: **Runde (FA)**

This file may be shown to any legislator: **NO**

Drafter: **mshovers**

May Contact:

Addl. Drafters:

Subject: **Tax, Individual - income credit**

Extra Copies:

Submit via email: **YES**

Requester's email:

Carbon copy (CC:) to:

Pre Topic:

LFB:.....Runde (FA) -

Topic:

Limit homestead credit to seniors, married couples, those with dependents; increaxe maximum income

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?							
/1	mshovers 06/27/2007	lkunkel 06/27/2007	rschluet 06/27/2007	_____	sbasford 06/27/2007		
/2	mshovers 07/06/2007	lkunkel 07/06/2007	jfrantze 07/06/2007	_____	cduerst 07/06/2007		

FE Sent For:

<END>

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A-2
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/?	mshovers						
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11 MES 6/26/07

[Handwritten signature]
6277

FE Sent For:

<END>

No changes to Approps.

$$\text{slope} = \frac{\text{max prop taxes}}{\text{max income} - \text{threshold}}$$

$$s = \frac{1450}{25,800 - 8000}$$

$$s = \frac{1450}{17,800}$$

$$s = .08146$$

Homestead Tax Credit -- Restrict Credit to Seniors, Married Claimants, and Those With Dependents. Restrict the homestead tax credit to those claimants who are either 65, or older, married or have one or more dependents. The following table provides this information, based on the funding level estimated under the bill for the current law credit. This estimate does not include the proposed credit expansion included in the Joint Finance Committee version of the 2007-09 biennial budget.

**Potential Savings if the Homestead Tax Credit is Restricted to Specified Groups
(In Millions)**

FA or
DC?

	<u>Current Law</u>	<u>Claimants 65 or Older, Married, or With Dependents</u>	<u>Change in Cost</u>
2007-08	\$114.7	\$70.2	-\$44.5
2008-09	<u>111.4</u>	<u>66.3</u>	<u>-45.1</u>
Biennial Total	\$226.1	\$136.5	-\$89.6

Homestead Tax Credit -- Increase Maximum Income for Remaining Claimants. Increase the maximum income level factor of the credit formula for the remaining claimants from \$24,500 to \$25,800, effective in tax year 2007, and index this factor to changes in the consumer price index, effective in tax year 2009. The following chart shows the parameters of the homestead credit under current law and under the proposal, which would expend an estimated \$5.1 million in 2007-08 and \$4.3 million in 2008-09. The combined effect of restricting the credit to those claimants who are either 65, or older, married or have one or more dependents, while providing these remaining claimants an expanded credit, would reduce the cost of the credit by an estimated \$39.4 million in 2007-08 and \$40.8 million in 2008-09.

	<u>Current Law</u>	<u>Proposed</u>
Maximum Income	\$24,500	\$25,800
Maximum Property Taxes	1,450	1,450
Property Tax Reimbursement Rate	80%	80.0%
Income Threshold	8,000	8,000
Rate that Income Reduces Eligible Taxes	8.788%	8.146% ←
Maximum Credit	1,160	1,160

Payments for Municipal Services -- Funding Level. Reduce the current payments for municipal services appropriation (\$21,998,800 annually) by 2.5% for each year of the biennium and direct the Department of Administration to assess chargebacks to agencies as if the appropriation were unchanged. This proposal would reduce program expenditures by \$550,000 GPR annually.



State of Wisconsin
2007 - 2008 LEGISLATURE

LRBb0673/7

MES:.....

LFB:.....Runde (FA) - Limit homestead credit to seniors, married couples,
those with dependents; increaxe maximum income

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

ASSEMBLY AMENDMENT ,

TO SENATE SUBSTITUTE AMENDMENT 1,

TO 2007 SENATE BILL 40

ASSEMBLY

LPS: P/s chg
request
sheet

1 At the locations indicated, amend the substitute amendment as follows:

2 1. Page 1021, line 22: after that line insert:

3 "SECTION 2121m. 71.53 (2) (c) of the statutes is amended to read:

4 71.53 (2) (c) The claimant was under 18 65 years of age at the close of the year

5 to which the claim relates, except that this limitation does not apply if the claimant

6 is married or if the claimant has a dependent ^{whom} he or she claims under section 151

7 (c) of the Internal Revenue Code during the year to which the claim relates. ✓

History: 1987 a. 312; 1989 a. 31, 198; 1991 a. 39; 1999 a. 150 s. 672. ✓

8 SECTION 2121n. 71.53 (2) (d) of the statutes is amended to read:

9 71.53 (2) (d) The claimant was claimed as a dependent for federal income tax

10 purposes by another person during the year to which the claim relates but this

1 limitation shall not apply if the claimant was ~~62~~ ⁶⁵ years of age or older at the close
2 of the year to which the claim relates.” ✓

History: 1987 a. 312; 1989 a. 31, 198; 1991 a. 39; 1999 a. 150 s. 672.

3 **2.** Page 1022, line 1: delete that line and substitute: “71.54 (1) (f) 2001 and
4 thereafter to 2006. (intro.) The amount”. ✓

5 **3.** Page 1022, line 2: delete “and thereafter” and substitute “and thereafter to
6 2006”. ✓

7 **4.** Page 1022, line 3: after that line insert: ✓

8 “SECTION 2121se. 71.54 (1) (g) of the statutes is created to read:

9 71.54 (1) (g) 2007 and thereafter. The amount of any claim filed in 2007 and
10 thereafter and based on property taxes accrued or rent constituting property taxes
11 accrued during the previous year is limited as follows: ✓

12 1. If the household income was \$8,000 or less in the year to which the claim
13 relates, the claim is limited to 80 percent of the property taxes accrued or rent
14 constituting property taxes accrued or both in that year on the claimant’s homestead. ✓

15 2. If the household income was more than \$8,000 in the year to which the claim
16 relates, the claim is limited to 80 percent of the amount by which the property taxes
17 accrued or rent constituting property taxes accrued or both in that year on the
18 claimant’s homestead exceeds 8.146 percent of the household income exceeding
19 \$8,000. ✓

20 3. No credit may be allowed if the household income of a claimant exceeds
21 \$25,800.”. ✓

22 **5.** Page 1022, line 4: delete lines 4 to 6. ✓

23 **6.** Page 1022, line 8: delete “2007” and substitute “2009”. ✓

1 **7.** Page 1022, line 9: delete lines 9 to 11 and substitute: "beginning after
2 December 31, 2008, the dollar amount for the maximum household income under
3 sub. (1) (g) 3. shall be increased each year by a". ✓

4 **8.** Page 1022, line 15: delete "2005" and substitute "2007". ✓

5 **9.** Page 1022, line 23: delete lines 23 and 24 and substitute: "(g) 2. such that
6 as a claimant's income increases from the threshold income under sub. (1) (g) 2., to
7 an amount that exceeds the maximum household income". ✓

8 **10.** Page 1662, line 11: after that line insert:

9 "(6h) HOMESTEAD TAX CREDIT CHANGES. The treatment of section 71.53 (2) (c) and
10 (d) of the statutes first applies to taxable years beginning on January 1, 2007.". ✓

11

(END)

LFB:.....Runde (FA) – Limit homestead credit to seniors, married couples,
those with dependents; increaxe maximum income

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

**ASSEMBLY AMENDMENT ,
TO ASSEMBLY SUBSTITUTE AMENDMENT 1,
TO 2007 SENATE BILL 40**

*was 18 years of age or older at the close of the
year to which the claim relates and
either*

1 At the locations indicated, amend the substitute amendment as follows:

2 **1.** Page 1021, line 22: after that line insert:

3 **"SECTION 2121m.** 71.53 (2) (c) of the statutes is amended to read:

4 71.53 (2) (c) The claimant was under ~~18~~ 65 years of age at the close of the year
5 to which the claim relates, except that this limitation does not apply if the claimant
6 is married or if the claimant has a dependent whom he or she claims under section
7 151 (c) of the Internal Revenue Code during the year to which the claim relates.

8 **SECTION 2121n.** 71.53 (2) (d) of the statutes is amended to read:

9 71.53 (2) (d) The claimant was claimed as a dependent for federal income tax
10 purposes by another person during the year to which the claim relates but this

1 limitation shall not apply if the claimant was ~~62~~ 65 years of age or older at the close
2 of the year to which the claim relates.”.

3 **2.** Page 1022, line 1: delete that line and substitute:

4 “71.54 (1) (f) ²⁰⁰⁷ ~~2001 and thereafter~~ to 2006. (intro.) The amount”.

5 **3.** Page 1022, line 2: delete “and thereafter” and substitute: “²⁰⁰⁷ ~~and thereafter~~
6 to 2006”.

7 **4.** Page 1022, line 3: after that line insert:

8 “~~SECTION 2121~~^{se.} 71.54 (1) (g) of the statutes is created to read:

9 71.54 (1) (g) ²⁰⁰⁸ ~~2007~~ and thereafter. The amount of any claim filed in ²⁰⁰⁸ ~~2007~~ and
10 thereafter and based on property taxes accrued or rent constituting property taxes
11 accrued during the previous year is limited as follows:

12 1. If the household income was \$8,000 or less in the year to which the claim
13 relates, the claim is limited to 80 percent of the property taxes accrued or rent
14 constituting property taxes accrued or both in that year on the claimant's homestead.

15 2. If the household income was more than \$8,000 in the year to which the claim
16 relates, the claim is limited to 80 percent of the amount by which the property taxes
17 accrued or rent constituting property taxes accrued or both in that year on the
18 claimant's homestead exceeds 8.146 percent of the household income exceeding
19 \$8,000.

20 3. No credit may be allowed if the household income of a claimant exceeds
21 \$25,800.”.

22 **5.** Page 1022, line 4: delete lines 4 to 6.

23 **6.** Page 1022, line 8: delete “2007” and substitute “2009”.

Fred says it's OK to omit
for
done - inconsistent w/ current indexing lang. in P. 71.05(22)(b) and (d) and 71.06(2e)

7. Page 1022, line 9: delete lines 9 to 11 and substitute "beginning after December 31, 2008, the dollar amount for the maximum household income under sub. (1) (g) 3. shall be increased each year by a".

8. Page 1022, line 15: delete "2005" and substitute "2007".

9. Page 1022, line 23: delete lines 23 and 24 and substitute "(g) 2. such that as a claimant's income increases from the threshold income under sub. (1) (g) 2., to an amount that exceeds the maximum household income".

10. Page 1662, line 11: after that line insert:

"(6w) HOMESTEAD TAX CREDIT CHANGES. The treatment of section 71.53 (2) (c) and (d) of the statutes first applies to taxable years beginning on January 1, 2007.".

(END)

Page 1022, line 13: delete "the previous" and substitute "that"

diff from current indexing lang. - timing?

Fred says CPI info will be out in time & this lang. will be OK w/ DOR's tax form printing schedule.



State of Wisconsin
2007 - 2008 LEGISLATURE

LRBb0673/1

MES:lmk:rs

✓
says (fmr)

LFB:.....Runde (FA) - Limit homestead credit to seniors, married couples,
those with dependents; increaxe maximum income

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

ASSEMBLY AMENDMENT ,

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State of Wisconsin
2007 - 2008 LEGISLATURE

LRBb0673/2
MES:lmk:jf

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13 (END)